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C O N F I D E N T I A L PRETORIA 000317

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TAGS: [ENRG](#) [TRGY](#) [IAEA](#) [SF](#)
SUBJECT: WESTINGHOUSE PURSUES SOUTH AFRICAN NUCLEAR REACTOR
CONSTRUCTION BID

Classified By: A/DCM Perry Ball, Reasons 1.4 (b) and (d).

¶1. (U) Summary. Westinghouse and Areva will compete fiercely for construction of one, and possibly more, conventional nuclear reactors to help South Africa meet its growing energy needs. Energy supplier Eskom will make a February 2007 fact-finding trip to Westinghouse headquarters in the U.S. and expects to award the construction in March 2008. The value of the contract is estimated to be USD 1.5 to 2.0 billion. China's recent decision to award Westinghouse a contract for four reactors and South Africa's apparent concern about Areva technology appear to give Westinghouse the lead in this competition. End Summary.

South Africa In the Market for a Reactor

¶2. (U) Westinghouse of Japan and the U.S. will compete with Areva of France for construction of a conventional nuclear reactor adjacent to South Africa's sole existing commercial reactor in Koeberg near Cape Town to help meet South Africa's growing energy needs. In a recent meeting with A/DCM and nuclear energy officer, Westinghouse's South Africa Manager Dave Singleton said that a tender or other request-for-proposal is expected from Eskom, South Africa's huge electricity parastatal, within the next six months. Although the precise dimensions of Eskom's nuclear plans are not yet final, the parastatal might opt to build more than one conventional reactor, plus several smaller Pebble Bed Modular Reactors. Eskom has decided on Pressurized Water Reactor (PWR) technology. This decision eliminates several competitors including General Electric of the U.S. which uses Boiling Water Reactor technology. The value of the total project could be worth USD 1.5 to 2.0 billion to the winning company.

Next Steps

¶3. (U) In February, Eskom plans to make fact-finding visits to Westinghouse in Pittsburgh and Areva in France. Eskom will then recommend to the Department of Public Enterprises (DPE) and to the Department of Minerals and Energy (DME) a nuclear development model which will identify the planned nuclear technology and generation capacity. DPE must then submit its recommendations to parliament for approval. Meanwhile, Eskom will engage in negotiations with Westinghouse and Areva while the government approval process proceeds. Pursuing these activities in such a parallel fashion means that the award could be made as early as March

2008 which, according to Singleton, is very quick by international standards.

Potential Impact in U.S.

¶4. (C) In October 2006 Westinghouse was taken over by Japanese conglomerate Toshiba which now controls 77 percent of the former U.S. company (the Shaw Group of the U.S. owns 20 percent and Ishikawajimi-Harima Heavy Industries owns three percent). Westinghouse CEO Steve Tritch met in December with Ambassador Bost, Commercial Counselor, Economic Counselor, and nuclear energy officer seeking support for their Eskom bid. Westinghouse has filed an advocacy request with the U.S. Department of Commerce but that request has not yet been approved. The company recently won a decade-long bid process to construct four Westinghouse AP-1000 PWR nuclear plants in China. South Africa has strong ties to China and the award bodes favorably for Westinghouse in the Eskom decision. Westinghouse claimed at the time that the contract was awarded it would create 5,000 jobs in the U.S. Most of those workers would be involved in the construction of any future nuclear plants that might be sold to South Africa. The Economic Section plans to call on their counterparts at the Japanese Embassy next week to set the stage for joint advocacy efforts.

Fierce Competition Ahead

¶5. (C) Competition between Westinghouse and Areva is sure to be fierce. A Korean consortium may also compete for the

project, although DME's Nuclear Chief Tseliso Maqubela and Singleton dismissed them as a Johnny-Come-Lately. Areva has made in-roads with Eskom, DPE and DME by offering to establish a nuclear energy educational institution to conduct training and expand skills capacity. In addition, the French built and maintain the existing Koeberg plant which, ironically, is based on early Westinghouse technology. However, unplanned shut-downs at the Koeberg plant in 2006 and again on January 18 could undermine Areva's position. A senior DPE official told Singleton that the unplanned shutdowns at Koeberg did not help Areva's reputation within DPE and would help Westinghouse in the upcoming competition (see septel regarding the January 18 shutdown and related power outages).

Comment

¶6. (U) China's decision to award a contract to Westinghouse for the AP1000 PWR reactors and South Africa's apparent concern about Areva technology as a result of the repeated shutdowns at the Koeberg reactor appear to have given Westinghouse the lead in this competition. Embassy and consulates will work closely with Westinghouse to help secure this large contract.

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